

Message Text

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ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 SAJ-01 PA-01 PRS-01 L-03 H-02 /098 W

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R 040111Z JUN 75

FM USLO PEKING

TO SECSTATE WASHDC 3849

INFO USMISSION EC BRUSSELS

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY TOKYO

AMCONSUL HONG KONG

USNVTS GORKWP

USMISSION OECD PARIS

CINCPAC FOR POLAD

C O N F I D E N T I A L PEKING 1057

E.O.11652: GDS

TAGS: ETRDK EFIN, CH, UR

SUBJECT: 1975 SINO-SOVIET TRADE AGREEMENT

REFS: (A) MOSCOW 6882; (B) PEKING 2307

1. DURING CALL ON USLO JUNE 3, SOVIET DEPUTY TRADE REPRESENTATIVE VLADIMIR KOROLEV CONFIRMED PREVIOUS REPORTS (REF A) THAT COMMODITIES EXCHANGED UNDER THIS YEAR'S SINO-SOVIET TRADE AGREEMENT WILL BE VALUED AT CURRENT WORLD PRICES. LIKE MOST OF CHINA'S TRADE AGREEMENTS WITH OTHER SOCIALIST COUNTRIES, SWISS FRANCS ARE THE UNIT OF ACCOUNT. ACCORDING TO KOROLEV, NEGOTIATIONS BEGAN ON MARCH 20 AND THE RUSSIANS EXPECT THE AGREEMENT TO BE SIGNED IN MID-JUNE.

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2. WHILE THE SOVIETS HAD PREVIOUSLY TOLD US THAT A CHANGE TO WORLD PRICES WOULD RESULT IN A SHARP INCREASE IN THE VALUE OF SINO-SOVIET TRADE (REF B), KOROLEV PUT THE AGREED LEVEL OF TOTAL TRADE THIS YEAR AT 220 MILLION RUBLES OR AN INCREASE OF ONLY 7 MILLION RUBLES FROM THE 213 MILLION RUBLE LEVEL OF ACTUAL DELIVERIES IN 1974. HE WAS UNABLE TO CLEARLY EXPLAIN, HOWEVER, WHY HE ANTICIPATED SUCH A SMALL INCREASE SINCE HE ALSO SAID THAT QUANTITIES AND COMMODITY COMPOSITION, ALREADY DECIDED, WOULD BE THE SAME AS LAST YEAR. KOROLEV SAID THE INITIATIVE TO CHANGE TO WORLD PRICES CAME FROM THE CHINESE, BUT DID NOT SEEM TO KNOW WHAT PROMPTED THEM TO MAKE THE SWITCH THIS YEAR.

3. COMMENT: THE SOVIETS IMPLIED IN REF B, THAT THE SUBSTITUTION OF CURRENT PRICES FOR "STOPPED PRICES" USED SINCE 1958 WOULD RESULT IN A 20-30 PERCENT INCREASE IN THE VALUE OF GOODS EXCHANGED. SINCE THE INCREASE FORECAST IS UNDER 5 PERCENT, IT IS POSSIBLE THAT THE QUANTITIES TRADED WILL IN FACT BE SMALLER THAN LAST YEAR. BUSH

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Message Attributes

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